

CASE 6258: ATLANTIC RICHFIELD CO.
FOR COMPULSORY POOLING, LEA COUNTY
NEW MEXICO

CASE NO.

6258

APPLICATION,
TRANSCRIPTS,
SMALL EXHIBITS,
ETC.

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
State Land Office Building
Santa Fe, New Mexico
6 July 1978

EXAMINER HEARING

IN THE MATTER OF:

Application of Atlantic Richfield) CASE
Company for compulsory pooling,) 6258
Lea County, New Mexico.)

BEFORE: Daniel S. Nutter

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation Division: Lynn Teschendorf, Esq.
Legal Counsel for the Division
State Land Office Building
Santa Fe, New Mexico 87501

For the Applicant: Conrad E. Coffield, Esq.
HINKLE, COX, EATON, COFFIELD
& HENSLEY
Post Office Box 3580
Midland, Texas 79702

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
730 Bishop's Lodge Road • Phone (505) 988-3404
Santa Fe, New Mexico 87501

I N D E X

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

ROBERT MELAISE

Direct Examination by Mr. Coffield	3
Cross Examination by Mr. Nutter	11

TOM FURTWANGLER

Direct Examination by Mr. Coffield	14
Cross Examination by Mr. Nutter	20

E X H I B I T S

Applicant Exhibit One, Diagram	14
Applicant Exhibit Two, Log	14
Applicant Exhibit Three, Log	14

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
 730 Bishop's Lodge Road • Phone (505) 988-3404
 Santa Fe, New Mexico 87501

MR. NUTTER: Call Case 6258.

MS. TESCHENDORF: Case 6258. Application of Atlantic Richfield Company for compulsory pooling, Lea County, New Mexico.

MR. COFFIELD: Conrad Coffield, with the law firm of Hinkle, Cox, Eaton, Coffield & Hensley, Midland, Texas, appearing on behalf of Atlantic Richfield Company, and we have two witnesses.

(Witnesses sworn.)

MR. COFFIELD: First, Mr. Examiner, before we get started, I want to draw your attention to the fact that the way is set on the docket and advertised, indicates that we will be talking about costs of drilling and penalty factors.

We are only involved here under our application with royalty interests, so --

MR. NUTTER: Well, that's moot, then.

MR. COFFIELD: Correct.

ROBERT MELAISE

being called as a witness and having been duly sworn upon his oath, testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. COFFIELD:

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
730 Bishop's Lodge Road • Phone (505) 988-3404
Santa Fe, New Mexico 87501

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
730 Bishop's Lodge Road • Phone (505) 988-3404
Santa Fe, New Mexico 87501

1 Q Would you state your name, address, occupation,
2 and employer?

3 A My name is Robert Melaise. I'm employed by
4 Atlantic Richfield in Midland, Texas, and I'm a Senior
5 Operations Engineer for Atlantic Richfield.

6 Q Are you familiar with the application of At-
7 lantic Richfield in this case?

8 A Yes, I am.

9 Q And are you familiar with the property and the
10 proposed well location?

11 A Yes, I am.

12 Q Involved? Have you previously testified be-
13 fore the Oil Conservation Division as a petroleum engineer?

14 A Yes, I have.

15 Q And were your qualifications a matter of record
16 and are they accepted by the Oil Conservation Division?

17 A Yes, they were.

18 MR. COFFIELD: Are the witness' qualifications
19 acceptable, Mr. Examiner?

20 MR. NUTTER: Yes, they are.

21 Q (Mr. Coffield continuing.) Would you please
22 state briefly what Atlantic Richfield seeks by this appli-
23 cation?

24 A Briefly, what Atlantic Richfield is seeking is
25 an order pooling all royalty interests in the Devonian, the

1 McKee, and the Ellenberger formations underlying the south
2 half of Section 21, Township 22 South, Range 36 East, in
3 Lea County, New Mexico, and to be dedicated -- a well will
4 be drilled at a standard location thereon.

5 Q Okay, does the acreage involved here lie with-
6 in the Langley-Ellenberger Gas Pool?

7 A Yes, it does.

8 MR. COFFIELD: I would request that the Oil
9 Conservation Division take administrative notice of the
10 Division Order R-5754, dated June 29, 1978, concerning the
11 establishment of field rules for the Langley-Ellenberger
12 Gas Pool, and particularly the establishment of 320-acre
13 spacing.

14 MR. NUTTER: That was 6-29-78?

15 MR. COFFIELD: Yes, sir.

16 Q (Mr. Coffield continuing.) Please refer to
17 what's been marked Exhibit One, Mr. Melaise, and describe
18 what that shows.

19 A Exhibit One is a diagram which indicates the
20 deep wells or deep penetrations. Deep, I mean deep as the
21 Ellenberger formation, that have been drilled in this
22 particular area.

23 We also show a Langley working interest unit,
24 which comprises some 1860 acres in Sections 20, 21, 27
25 and 28 of Township 22 South, Range 36 East. This is a

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
730 Bishop's Lodge Road • Phone (505) 968-3404
Santa Fe, New Mexico 87501

1 working interest unit that Atlantic Richfield is the oper-
2 ator of.

3 The exhibit also shows two Ellenberger Wells
4 that have been drilled in this particular area, one in
5 Section 17, was the first Ellenberger Well drilled and it
6 was drilled by Continental Oil Company. It did penetrate
7 the Ellenberger by approximately 50 feet.

8 The second well that was drilled, and it was --
9 it would be labeled a dry hole.

10 The second well that was drilled in this
11 particular area was drilled and completed in June of 1978
12 by Atlantic Richfield, is located in the north half of
13 Section 28, and this is the Langley Deep No. 1.

14 The plat or the exhibit further shows a red
15 dot in the south half of Section 21, which is our proposed
16 Langley Getty Com No. 1, which is the well that we propose
17 to dedicate -- dedication of 320 acres for the three form-
18 ations in question today, the Devonian, McKee, and the
19 Ellenberger, which we contend will be prospective as gas
20 wells at this particular location.

21 Q Mr. Melaise, you've indicated a few minutes
22 ago when you were describing the purposes of the applica-
23 tion that the well location spotted here on the plat was
24 at a standard location. There has been some deviation,
25 is that not true?

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
730 Bishop's Lodge Road • Phone (505) 966-3404
Santa Fe, New Mexico 87501

1 A Yeah, it's beginning to be a matter of semantics
2 here. A standard location for 320-acre spacing would be
3 1980 and 660 and this particular location, because of
4 topographic reasons, could not be drilled. We did submit
5 a request to drill the well at 2310 from the west line
6 and 790 from the south line, which was approved by the
7 Commission.

8 Q You got administrative approval on that?

9 A Yes.

10 Q Is Atlantic Richfield the owner of the leases
11 in the south half of Section 21?

12 A No, they're not the owner. They are the oper-
13 ator of this working interest unit by virtue of having
14 the largest working interest and essentially are the unit
15 expeditor of this drilling unit.

16 Q So you represent the other working interest
17 owners?

18 A That's correct.

19 Q Please refer to what's been marked as Exhibit
20 Number Two and explain what that shows.

21 A Exhibit Number Two is a log, a sonic log, on
22 the well I mentioned in Section 17, which was drilled by
23 Continental.

24 On that particular well I have marked the tops
25 of the various geologic formations there, recognized by

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
730 Bishop's Lodge Road • Phone (505) 988-3404
Santa Fe, New Mexico 87501

1 the Commission. I would like to point out the tops on the
2 three formations that we have called this particular pooling
3 hearing for and discuss briefly what Continental found
4 in these particular formations, upon drilling the well.

5 The first would be the Devonian formation,
6 which was topped at 12,750 feet. Continental Oil had
7 two drill stem tests in this particular formation that are
8 marked on this log, which -- one, which recovered -- the
9 first drill stem test recovered 60 feet of drilling mud.
10 The second drill stem test recovered 80 feet of gas-cut
11 mud and 5,400 feet of salt water on the test.

12 The second formation I would like to point
13 out would be the McKee, which was topped at 15,276 feet
14 on this particular log.

15 One drill stem test was taken which recovered
16 15 feet of drilling mud.

17 The third formation was the Ellenberger. It
18 was topped at a total depth of 15,831 feet and penetrated
19 the Ellenberger by approximately 50 feet.

20 Q Would you please refer now to Exhibit Number
21 Three and tell the Examiner what that reveals?

22 A Exhibit Number Three is a similar log. It is
23 a compensated neutron density, but it's similar in the
24 fact that it does show the formation tops and tests that
25 Atlantic Richfield took in the Langley Deep No. 1, which

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
730 Bishop's Lodge Road • Phone (505) 988-3404
Santa Fe, New Mexico 87501

1 is the discovery well for this particular pool.

2 There again, I would like to allude to the
3 three formations in question.

4 The Devonian, we topped it at 12,297 feet.
5 On the log section we show numerous drill stem tests that
6 were taken. There are five drill stem tests, or actually
7 six drill stem tests taken in that interval.

8 I'm sorry, five drill stem tests and one cored
9 interval.

10 I would like to point out drill stem test
11 number six, that was taken in the center of what we con-
12 sider the Devonian pay in this particular well, we did
13 receive a test that flowed at a stabilized rate of 530
14 Mcf a day and 10 barrels of condensate. This test was
15 water-free, I might add.

16 In the McKee formation, which we topped at
17 14,726 feet, we tried two drill stem tests and tried one
18 core, all of which were failures. The drill stem tests
19 failed to get a packer sleeve and did not -- were not able
20 to substantiate any type of production, proven production.

21 The core barrel jammed and we only recovered
22 1 foot, which didn't help us evaluate the McKee.

23 But log calculations indicate that this parti-
24 cular zone is potential in having gas reserves.

25 The Ellenberger section is where this well

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
730 Bishop's Lodge Road • Phone (505) 988-3404
Santa Fe, New Mexico 87501

1 was completed. On the log we can see the Ellenberger was
2 topped at 15,250 feet.

3 We have two intervals that were perforated.
4 The first interval was perforated from 15,329 feet to
5 396 -- 15, 396 feet.

6 The second interval was perforated from 15,442
7 feet to 15,531 feet.

8 This particular well has been potential in
9 the 4-point tests submitted to the Commission in June of
10 1978, or it had a flowing potential of 2.7-million cubic
11 feet per day, and recovered 211 barrels of condensate.
12 Now, this is sustained production. The 4-point absolute
13 open flow was somewhat in excess of 5-million cubic feet
14 of gas per day.

15 Q Mr. Melaise, based upon your data reflected
16 in these logs, plus the general geological data information
17 which you have on this area, is it your opinion that the
18 three formations for which forced pooling is sought are
19 reasonable objective depths for production of gas and as-
20 sociated hydrocarbons from these?

21 A Yes, I would.

22 Q Do you have anything else to offer to the --

23 A No, not at this time.

24 MR. COFFIELD: Mr. Examiner, again, we do have
25 information on the economics if you wish it. I trust

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
730 Bishop's Lodge Road • Phone (505) 966-3404
Santa Fe, New Mexico 87501

1 it's not necessary in this hearing.

2 MR. NUTTER: I don't think it's necessary
3 since it's the royalty owners that we're considering here
4 today, wouldn't be involved in the expenses.

5 MR. COFFIELD: Yes, sir.

6
7 CROSS EXAMINATION

8 BY MR. NUTTER:

9 Q You're seeking to pool the Devonian, the McKee,
10 as well as the Ellenberger, because you feel that you
11 were unable to get adequate tests on these other formations?

12 A Yes, Mr. Nutter. What -- let me allude -- go
13 into that in a little more detail.

14 We have had a production test in the Ellen-
15 berger, which we would have liked to test -- production
16 tested the other two zones in this well.

17 We had large tubing in the hole. The cost
18 was such that we -- we ran into some mechanical problems,
19 the cost overset or was more than we felt justified --
20 pulling this tubing justified the risk of going back in
21 and testing these two zones. It's our intention at this
22 time to test the three zones in this next well and if
23 the zones would, the economics would warrant it, we'd come
24 back and possibly dual complete or drill development wells
25 at the north height in Section 28, at which time we have

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
730 Bishop's Lodge Road • Phone (505) 988-3404
Santa Fe, New Mexico 87501

1 the economics and the test information to justify it.

2 What we're -- what is part of the problem,
3 McKee looks potential on the logs. The McKee in this par-
4 ticular -- or in New Mexico has produced sand, and that
5 is one question we have at this time, that we cannot --
6 we're not in a position to determine how much sand and
7 whether it can be produced in a dually completed well.

8 Q Okay, now I notice by looking at your Exhibit
9 Number One there that the southwest quarter of Section 21
10 and the west half of the southeast quarter of 21, are
11 part of this Langley Deep working interest unit.

12 Now, the east half of the southeast quarter
13 is apparently not in the working interest unit, but be-
14 longs to Getty.

15 A Yes, this is correct. Our next witness could
16 go into that a little more detail. What has happened
17 there, Getty Oil Company, when we put this working interest
18 unit together, the Getty and Skelly merger was in the
19 process and they didn't want at that time to go through
20 the -- well, they couldn't make a decision on whether
21 they wanted to drill -- enter into this working interest
22 unit. They did make a contributory agreement where they
23 did, if the well had been dry, they made a dry hole con-
24 tribution. Thereby, when we came up with a proposal of
25 a well in the south half of 21, they signed the same oper-

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
730 Bishop's Lodge Road • Phone (505) 988-3404
Santa Fe, New Mexico 87501

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
730 Bishop's Lodge Road • Phone (505) 988-3404
Santa Fe, New Mexico 87501

1 ating agreement that covers the working interest unit that
2 we show, 1900, so they have not only signed the agreement
3 but they have signed the AFE on this particular well.

4 Q So will they be a member of the working in-
5 terest unit or is it a communitization between --

6 A Only in the south half of Section 21 in any
7 one of these three formations in the proportion of any
8 proration unit -- or the amount of acres in any proration
9 unit.

10 In other words, if, say, the McKee or the
11 Ellenberger, the proration units was run, say, north,
12 north-south, et cetera, their proportion would be diminished
13 by how many acres in this south half would be contributed
14 to that particular well, but in this case they are a
15 party, have 80 acres of the 320.

16 They have that much interest.

17 Q And all of the working interests have been
18 committed --

19 A Yes, sir.

20 Q -- to the well?

21 A That's correct.

22 Q Okay. Now, will you run through the royalty
23 interests that we're talking about here?

24 MR. COFFIELD: Let the next witness.

25 MR. NUTTER: Okay, are there any other ques-

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
730 Bishop's Lodge Road • Phone (505) 988-3404
Santa Fe, New Mexico 87501

1 tions of this witness? He may be excused.

2 MR. COFFIELD: We haven't asked about the
3 exhibits.

4 MR. NUTTER: Okay.

5 Q (Mr. Coffield continuing.) Were these ex-
6 hibits prepared by you or under your supervision?

7 A Under my supervision, yes.

8 Q And in your opinion, will the approval of the
9 application of Atlantic Richfield prevent drilling of
10 unnecessary wells and otherwise prevent waste and protect
11 correlative rights?

12 A Yes, sir, it would.

13 MR. COFFIELD: We move the admission of the
14 exhibits.

15 MR. NUTTER: The Applicant Exhibits One through
16 Three are admitted in evidence.

17 MR. COFFIELD: Call Mr. Furtwangler.

18
19 TOM FURTWANGLER

20 being called as a witness and having been duly sworn upon
21 his oath, testified as follows, to-wit:

22
23 DIRECT EXAMINATION

24 BY MR. COFFIELD:

25 A My name is Tom Furtwangler, and it's spelled

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
730 Bishop's Lodge Road • Phone (505) 988-3404
Santa Fe, New Mexico 87501

1 F-U-R-T-W-A-N-G-L-E-R. I work for Atlantic Richfield Com-
2 pany, Midland, Texas, and I'm a Land Man for this company.

3 Q Are you familiar with this application of
4 Atlantic Richfield in this particular case?

5 A I am.

6 Q And, Mr. Furtwangler, have you previously
7 testified before the Oil Conservation Division as a petro-
8 leum land man?

9 A Yes, I have.

10 Q Were your qualifications a matter of record
11 and were they accepted by the Division?

12 A They were.

13 MR. COFFIELD: Will Mr. Furtwangler's --

14 MR. NUTTER: He's qualified. Please proceed.

15 Q (Mr. Coffield continuing.) Are you familiar
16 with the ownership of royalty as well as the working in-
17 terests within the south half of Section 21?

18 A I am.

19 Q How many divided ownership tracts are involved
20 here, Mr. Furtwangler?

21 A You have four divided ownership tracts as far
22 as working interest is concerned.

23 There is some common ownership as far as
24 royalty between certain tracts.

25 Q Are you familiar with the efforts which were

1 made to seek commitment of all the interests in the south
2 half of Section 21 to this Langley - Getty Com No. 1 Well?

3 A. I am. I coordinated or carried out most of
4 these efforts.

5 Q Are all working interests committed within
6 the south half to this well?

7 A. The working interest owners, as far as con-
8 tributing leases to this south half, are all committed
9 and all owners within the Langley Deep working interest
10 unit are committed and Getty Oil Company has committed
11 their outside tract.

12 Q In connection with the oil and gas leases
13 involved here, are they all fee leases?

14 A. These are all fee leases. They are old time
15 leases, 1925 to 1930 type leases.

16 Q And accordingly, as a consequence, would you --
17 is it fair to state that the oil and gas leases involved
18 do not grant to the lessee the authority to commit the
19 royalty to a pooling -- pooled area?

20 A. One of the leases allows pooling, but it's a
21 limited pooling, authority for only 160 acres. That's a
22 Gulf lease.

23 The other leases committed have no pooling
24 provisions whatsoever contained within them.

25 Q So are all royalty interests committed?

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
730 Bishop's Lodge Road • Phone (505) 988-3404
Santa Fe, New Mexico 87501

1 A They cannot be committed unless we go through
2 proceedings such as this.

3 Q Describe the efforts which have been made to
4 secure commitment of these royalty interests, just in a
5 chronological narrative basis.

6 A Initially, on May 1, 1978, we sent a letter
7 out to all royalty interest owners, explaining the situation,
8 that we had drilled a well, the Langley Deep No. 1, in the
9 north half of Section 28, and explained that we want to
10 get ratification of our royalty owners in the south half
11 of Section 21 through an instrument called Gas Pooling
12 Agreement and Gas Unit Designation, and along with this
13 agreement we sent the Ratification of Gas Pooling Agree-
14 ment and Gas Unit Designation for their approval.

15 In here we explained that normal spacing for
16 wells of this depth of 320 acres as set out by the State
17 regulatory agencies, and enclosed the necessary copies
18 of instructions to execute this agreement.

19 We also stated at the end that we would be
20 happy to answer any questions and they are free to call
21 me personally collect, and gave them the number.

22 Also for their convenience we included such
23 things as self-addressed stamped envelopes.

24 On May the 3rd, we wrote a similar letter,
25 not quite as much detail to working interest owners, be-

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
730 Bishop's Lodge Road • Phone (505) 888-3404
Santa Fe, New Mexico 87501

1 cause they are more familiar with the situation; they have
2 previously been contacted about the drilling of this well,
3 and they had such as well information, completions on
4 this first Langley well.

5 Various people did contact me by phone and by
6 letter asking questions. In all cases I responded. In
7 some cases people wanted additional information, which we
8 tried to get together for them, or payment of any additional
9 expenses for notary fees, et cetera.

10 On June the 7th I sent out to all royalty
11 owners who hadn't responded at this time, a follow-up
12 letter, briefly restating that we had sent out this pre-
13 vious letter in early May, the situation again, asking
14 for their execution, and again stating that if they have
15 any further questions they were free to call me.

16 To start with we had approximately 105 royalty
17 owners contained under this south half. There's approxi-
18 mately 26 as of this morning who we have not received back
19 as far as ratifying our agreement. Some of them will be
20 impossible to determine because their money is held in
21 suspense. When contacting the leasehold owners of the
22 Shell Oil Production on these tracts.

23 Q And this sort of thing, Mr. Furtwangler, then
24 arises, you're expecting, I presume, by virtue of death
25 of certain parties and succession by inheritance or what-

SALLY WALTON BOYD

CERTIFIED SHORTHAND-REPORTER

730 Bishop's Lodge Road • Phone (505) 988-3404
Santa Fe, New Mexico 87501

1 ever, and so you simply cannot in some cases determine
2 precisely who they are?

3 A Gulf Oil and El Paso and the other parties in
4 here, they have not been able to determine who the royalty --
5 correct royalty owners are, to pay royalty payments for
6 Shell Oil production. I'm sure they are making their best
7 efforts to determine who that would be. Until they are
8 able to find out; they have more information than I do on
9 that.

10 Q So accordingly, do you feel it likely that
11 voluntary commitment of these outstanding royalty interests
12 is likely?

13 A It seems unlikely we'll be able to get volun-
14 tary commitment from all parties who may have an interest
15 under this south half.

16 Q In your opinion, will the approval of this
17 application of Atlantic Richfield prevent the drilling of
18 unnecessary wells and otherwise prevent waste and protect
19 correlative rights?

20 A It would.

21 Q Do you have anything further to mention to
22 the Examiner?

23 A No, I don't.

24 MR. COFFIELD: We have no further questions.
25

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
730 Bishop's Lodge Road • Phone (505) 988-3404
Santa Fe, New Mexico 87501

CROSS EXAMINATION

BY MR. NUTTER:

Q Mr. Furtwangler, do you have a list of those royalty owners that -- you said you got a total list of about 150.

A 105.

Q 105, and that as of now some 26 have not responded or ratified, is that correct?

A That's correct.

Q Do you have a list of the 105 with the 26 that haven't responded being marked on that or identified?

A It's identification from mailing lists and it is somewhat messy, just crosses off all the people who we have received from; all people who do not have a blue Flair tip marked through their names and address have not responded as of this date.

Q Well, that may be your working copy, that thing. Could you furnish us with a list?

A I can furnish you with a formal typewritten list.

Q Yeah, we'd like to have something in our file to show who we're pooling here.

A All right.

Q So if they come to us and say did you pool me,

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
730 Bishop's Lodge Road • Phone: (505) 988-3404
Santa Fe, New Mexico 87501

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
730 Bishop's Lodge Road • Phone (505) 968-3404
Santa Fe, New Mexico 87501

1 we can say yeah or no.

2 Now, how about the north half of 28, were you
3 able to get the ratification from all the royalty owners
4 on that one?

5 A North half of 28 is a Federal lease owned
6 equally between Atlantic Richfield, Chevron, Amoco, and
7 Continental Oil.

8 Q And you didn't have this royalty owner problem
9 there?

10 A We will be running into a similar problem in
11 the event that this well is successful and for some reason
12 we decide to drill additional development wells in the
13 north, we could be running into the same problem again.

14 Q In the north half of 21?

15 A That's correct.

16 Q Okay, well, if you'd furnish us with that
17 list after you get home, we'd appreciate it.

18 MR. NUTTER: Are there any further questions
19 of Mr. Furtwangler?

20 MR. COFFIELD: No, sir.

21 MR. NUTTER: He may be excused. Do you have
22 anything further, Mr. Coffield?

23 MR. COFFIELD: We do not.

24 MR. NUTTER: Does anyone have anything they
25 wish to offer in Case Number 6258? We'll take the case
under advisement. (Hearing concluded.)

REPORTER'S CERTIFICATE

I, SALLY WALTON BOYD, a Court Reporter, DO HEREBY CERTIFY that the attached and foregoing Transcript of Hearing before the Oil Conservation Division was reported by me; that said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability, knowledge, and skill from my notes taken at the time of the hearing.

Sally Walton Boyd, C.S.R.

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 6258, heard by me on 7/6, 1978.

[Signature], Examiner
New Mexico Oil Conservation Commission

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
730 Bishop's Lodge Road • Phone (606) 988-3404
Santa Fe, New Mexico 87501

LEWIS C. COX, JR.
PAUL W. EATON, JR.
CONRAD E. COFFIELD
HAROLD L. HENSLEY, JR.
STUART D. SHANOR
G. D. MARTIN
PAUL J. KELLY, JR.
JAMES H. BOZARTH

DOUGLAS L. LUNSFORD
PAUL M. BOHANNON
J. DOUGLAS FOSTER
K. DOUGLAS PERRIN
G. RAY ALLEN

LAW OFFICES
HINKLE, COX, EATON, COFFIELD & HENSLEY

521 MIDLAND TOWER
MIDLAND, TEXAS 79701
(915) 683-4691

June 5, 1978

ROSWELL, NEW MEXICO OFFICE
600 HINKLE BUILDING
(505) 822-8510

ONLY MESSRS. COFFIELD, MARTIN,
BOZARTH, BOHANNON, FOSTER & ALLEN
LICENSED IN TEXAS

Mr. Dan Nutter
Chief Engineer
Oil Conservation Division
Post Office Box 2088
Santa Fe, New Mexico 87501

Dear Dan:

Transmitted herewith you will find an amended Application, in triplicate, to replace the prior Application we submitted for compulsory pooling of royalty interests in the S $\frac{1}{2}$ of Section 21, Township 22 South, Range 36 East, N.M.P.M., Lea County, New Mexico.

I talked with Dick Stamets by telephone about this, and he advised me that he would change the manner in which this was advertised. Therefore, the enclosure will simply provide the copy of the written Application as required per OCD requirements.

This is set on the June 21 docket, but it is possible that our client, Atlantic Richfield, will want it moved to the July 6 docket. However, I will need to advise you on that matter at a later date if it is to be changed. So, for the time being, leave it set for June 21.

If anything further is needed, please let me know.

Very truly yours,

HINKLE, COX, EATON,
COFFIELD & HENSLEY


Conrad E. Coffield

CEC:rf
Enclosures

xc: Mr. Duncan W. Holt, Jr.
Atlantic Richfield Company
Post Office Box 2819
Dallas, Texas 75221
xc: Mr. Tom Furtwangler
Atlantic Richfield Company
Post Office Box 1610
Midland, Texas 79702

*Done
6258*

BEFORE THE OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO

JUN - 8 1978

APPLICATION OF ATLANTIC RICHFIELD)
COMPANY FOR COMPULSORY POOLING,)
LEA COUNTY, NEW MEXICO)

Atlantic Richfield Company, by its undersigned attorneys, hereby makes application for an order pooling all royalty interests in the Ellenburger, McKee and Devonian formations underlying the S $\frac{1}{2}$ of Section 21, Township 22 South, Range 36 East, N.M.P.M., Lea County, New Mexico, and in support thereof would show:

1. Applicant is the owner of the oil and gas leasehold in the S $\frac{1}{2}$ of Section 21, Township 22 South, Range 36 East, N.M.P.M. Peter Francis Jones, et al, are the owners of the royalty interests in the S $\frac{1}{2}$ of Section 21, Township 22 South, Range 36 East, N.M.P.M.

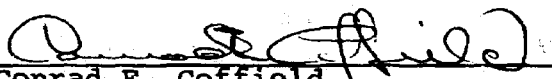
2. Applicant proposes to drill a well 1,980 feet from the South line and 1,980 feet from the West line of Section 21 to a depth sufficient to test the Ellenburger, McKee and Devonian formations and seeks to dedicate the S $\frac{1}{2}$ of said Section 21 to the well. Applicant has requested Peter Francis Jones, et al, as owners of royalty interests to agree to pool or combine their respective interests under the well, but they have so far refused to do so.

3. The pooling of all interests in the Ellenburger, McKee and Devonian formations in the S $\frac{1}{2}$ of said Section 21 will avoid the drilling of unnecessary wells, prevent waste and protect correlative rights.

4. Applicant requests that this matter be heard at the June 21, 1978 examiner's hearing.

HINKLE, COX, EATON,
COFFIELD & HENSLEY

By:

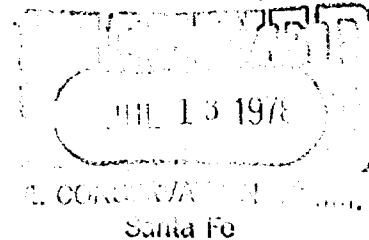

Conrad E. Coffield
Post Office Box 3580
Midland, Texas 79702
Attorneys for Atlantic
Richfield Company

Atlantic Richfield Company

North American Producing Division
Permian District
Post Office Box 1610
Midland, Texas 79702
Telephone 915 684-0132

David W. Sipperly
District Land Manager

July 10, 1978



Mr. Dan Nutter
New Mexico Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

RE: Forced Pooling
Royalty Ownership
Langley Getty Com No. 1
S/2 Section 21
T-22-S, R-36-E
Lea County, New Mexico

File Case 6258
[Signature]

Dear Mr. Nutter:

On July 6, 1978, Atlantic Richfield appeared in front of the Commission in Case 6258. Per your request, we enclose a listing of all royalty owners who failed to execute copies of "Ratification of Gas Pooling Agreement and Gas Unit Designation".

It must be noted, the ownership of royalty is based upon current Title Opinions and Ownership of Record in Lea County, New Mexico.

Please advise if any further information is required.

Sincerely,

Tom Furtwangler
Tom Furtwangler
Land Department

TF:tg
Enclosure

xc: Hinkle, Cox, Eaton, Coffield & Hensley
521 Midland Tower
Midland, Texas 79701

ATTN: Mr. Coffield

David E. Goodrich

Frost Nat'l Bank San Antonio
Trt Elise F. McKean, #747

George R. Stein

B. A. Christmas

Terri Christmas

W. A. Pruett

Sue Sanders Graham

Sally Saunders Toles

J. M. Richardson Lyeth, Jr. and
Munro Longyear Lyeth and
Patricia D. Lyeth

J. Patrick Corrigan

Fluor Oil and Gas Corporation

June D. Speight

Ruth Hensley

Christopher Dukinfield

Rachel B. Fardon

Irene Fardon Glaister

Lawrence G. Phillips

Gavin R. Garrett

The Ft. Worth Nat'l Bank and
Maurine V. Goodrich, Trustees
U/W Robert D. Goodrich

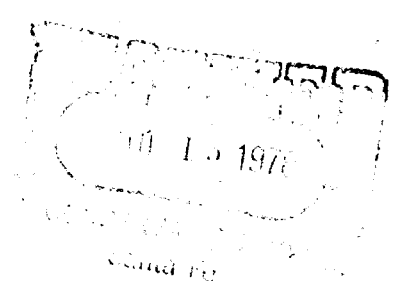
Robert R. Goodrich

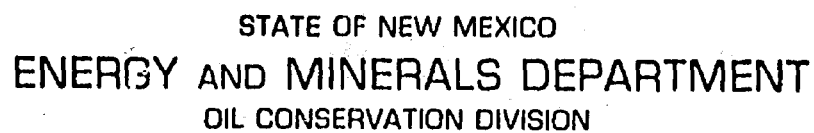
Lucile M. Owens

Trustees of Jal Public Library Fund

La Gloria Oil & Gas Company

First Nat'l Bank, Trst G.
Pearson Trust #506





POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87501
(505) 827-2434

Atlantic Richfield Company

Enclosed herewith are two copies of the above-referenced Division order recently entered in the subject case.

JOE D. RAMEY
Director

JDR/fd

Copy of order also sent to:

Hobbs OCC	<u>x</u>
Artesia OCC	<u>x</u>
Aztec OCC	

Other

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 6258
Order No. R-5765

APPLICATION OF ATLANTIC RICHFIELD
COMPANY FOR COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on July 6, 1978,
at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 17th day of July, 1978, the Division
Director, having considered the testimony, the record, and the
recommendations of the Examiner, and being fully advised in the
premises,

FINDS:

- (1) That due public notice having been given as required
by law, the Division has jurisdiction of this cause and the
subject matter thereof.
- (2) That the applicant, Atlantic Richfield Company, seeks
an order pooling all mineral interests in the Devonian, McKee
and Ellenburger formations underlying the S/2 of Section 21,
Township 22 South, Range 36 East, NMPM, Langley-Allenburger Gas
Pool, Lea County, New Mexico.
- (3) That the applicant has the right to drill and proposes
to drill a well at a standard location thereon.
- (4) That there are interest owners in the proposed proration
unit who have not agreed to pool their interests.
- (5) That to avoid the drilling of unnecessary wells, to
protect correlative rights, and to afford to the owner of each
interest in said unit the opportunity to recover or receive
without unnecessary expense his just and fair share of the gas
in said pool, the subject application should be approved by
pooling all mineral interests, whatever they may be, within said
unit.

-2-

Case No. 6258
Order No. R-5765

(6) That the applicant should be designated the operator of the subject well and unit.

(7) That all proceeds from production from the subject well which are not disbursed for any reason should be placed in escrow to be paid to the true owner thereof upon demand and proof of ownership.

(8) That upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before September 1, 1978, the order pooling said unit should become null and void and of no effect whatsoever.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Devonian, McKee and Ellenburger formations underlying the S/2 of Section 21, Township 22 South, Range 36 East, NMPM, Langley-Ellenburger Gas Pool, Lea County, New Mexico, are hereby pooled to form a standard 320-acre gas spacing and proration unit to be dedicated to a well to be drilled at a standard location thereon.

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the first day of September, 1978, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Ellenburger formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the first day of September, 1978, Order (1) of this order shall be null and void and of no effect whatsoever; unless said operator obtains a time extension from the Division for good cause shown.

PROVIDED FURTHER, that should said well not be drilled to completion, or abandonment, within 120 days after commencement thereof, said operator shall appear before the Division Director and show cause why Order (1) of this order should not be rescinded.

(2) That Atlantic Richfield Company is hereby designated the operator of the subject well and unit.

(3) That all proceeds from production from the subject well which are not disbursed for any reason shall be placed in escrow in Lea County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Division of the name and address of said escrow agent within 90 days from the date of this order.

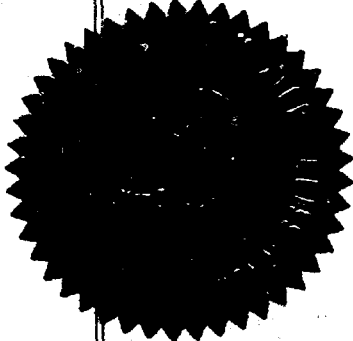
-3-

Case No. 6258

Order No. R-5765

(4) That jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



S E A L

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

Joe D. Ramey
JOE D. RAMEY
Director

fd/

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
State Land Office Building
Santa Fe, New Mexico
21 June 1978

EXAMINER HEARING

IN THE MATTER OF:

Application of Atlantic Richfield) CASE
Company for compulsory pooling,) 6258
Lea County, New Mexico.)

BEFORE: Richard L. Stamets

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation
Division:

Lynn Teschendorf, Esq.
Legal Counsel for the Division
State Land Office Building
Santa Fe, New Mexico 87501

For the Applicant:

Conrad E. Coffield, Esq.
HINKLE, COX, EATON, COFFIELD &
HENSLEY
Hinkle Building
Roswell, New Mexico

SALLY WALTON BOYD
CERTIFIED SHORTHAND REPORTER
730 Bishop's Lodge Road • Phone (505) 868-3404
Santa Fe, New Mexico 87501

1 MR. STAMETS: Call next Case 6258.

2 MS. TESCHENDORF: Case 6258. Application of
3 Atlantic Richfield Company for compulsory pooling, Lea
4 County, New Mexico.

5 MR. COFFIELD: Conrad Coffield of the law firm
6 of Hinkle, Cox, Eaton, Coffield and Hensley, of Midland,
7 Texas, appearing on behalf of the Atlantic Richfield Com-
8 pany, and we respectfully request the continuance of
9 this case until the hearing on July 6th.

10 MR. STAMETS: Case 6258 will be continued
11 until that date.

12 (Hearing concluded.)
13
14
15
16
17
18
19
20
21
22
23
24
25

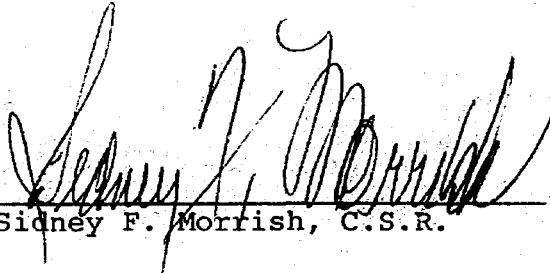
SALLY WALTON BOYD

CERTIFIED SHORTHAND REPORTER

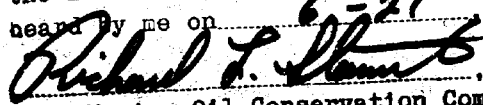
730 Bishop's Lodge Road • Phone (505) 988-3404
Santa Fe, New Mexico 87501

REPORTER'S CERTIFICATE

I, SIDNEY F. MORRISH, a Court Reporter, DO HEREBY
 CERTIFY that the foregoing and attached Transcript of
 Hearing before the Oil Conservation Division was reported
 by me; that said transcript is a full, true, and correct
 record of the hearing, prepared by me to the best of my
 ability, knowledge, and skill from my notes taken at the
 time of the hearing.


 Sidney F. Morrish, C.S.R.

SALLY WALTON BOYD
 CERTIFIED SHORTHAND REPORTER
 730 Bishop's Lodge Road • Phone (505) 988-3404
 Santa Fe, New Mexico 87501

I do hereby certify that the foregoing is
 a complete record of the proceedings in
 the Examiner hearing of Case No. 6258
 heard by me on 6-21, 1978

 Richard L. Stann, Examiner
 New Mexico Oil Conservation Commission

LAW OFFICES

HINKLE, COX, EATON, COFFIELD & HENSLEY

521 MIDLAND TOWER

MIDLAND, TEXAS 79701

(915) 683-4891

OF COUNSEL

CLARENCE E. HINKLE

W. E. BONDURANT, JR. (194-1973)

ROSWELL, NEW MEXICO OFFICE

600 HINKLE BUILDING

(505) 822-6510

ONLY MESSRS. COFFIELD, MARTIN,
BOZARTH, BOHANNON, FOSTER & ALLEN
LICENSED IN TEXAS

LEWIS C. COX, JR.
PAUL W. EATON, JR.
CONRAD E. COFFIELD
HAROLD L. HENSLEY, JR.
STUART D. SHANOR
G. D. MARTIN
PAUL J. KELLY, JR.
JAMES H. BOZARTH

DOUGLAS L. LUNSFORD
PAUL M. BOHANNON
J. DOUGLAS FOSTER
K. DOUGLAS PERRIN
C. RAY ALLEN

June 16, 1978

Mr. Dan Nutter
Oil Conservation Division
State Land Office
Post Office Box 2088
Santa Fe, New Mexico 87501

Re: Case No. 6258 - Application
of Atlantic Richfield Company
for Compulsory Pooling

Dear Dan:

This will confirm our recent telephone conversation in connection with the above referenced case. Atlantic Richfield requests that a continuance be granted on this case so that instead of being heard on the June 21 docket, it will be heard on the July 6 docket.

Thank you.

Very truly yours,

HINKLE, COX, EATON,
COFFIELD & HENSLEY

Conrad E. Coffield

CEC:rf

CASE 6256: Application of Texaco Inc. for amendment of Commission Order No. R-5530, non-standard locations, and an administrative procedure, Lea County, New Mexico. Applicant, in the above-styled cause, seeks to amend paragraph (14) on Page 7 of Commission Order No. R-5530 by removing or amending the allowable restriction therein subject to lease line agreements.

Applicant also seeks approval of nine injection wells at non-standard locations not closer than 10 feet to the Central Vacuum Unit boundary in the following units: Unit 1 of Section 12, Township 18 South, Range 34 East; Units D, E, L, and M of Section 6, Township 18 South, Range 35 East; Unit M of Section 31, Township 17 South, Range 35 East; and Units N, O, and P of Section 36, Township 17 South, Range 34 East, Vacuum Grayburg-San Andres Pool, Lea County, New Mexico.

Applicant further seeks an administrative procedure for approval of additional producing and injection wells at orthodox and unorthodox locations.

CASE 6257: Application of Benchmark Oil Company, Ltd., for an unorthodox oil well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Wright Well No. 1 to be located 1980 feet from the South line and 660 feet from the East line of Section 30, Township 9 South, Range 33 East, Flying M-San Andres Pool, Lea County, New Mexico, the E/2 SE/4 to be dedicated to the well.

CASE 6258: Application of Atlantic Richfield Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Devonian, McKee, and Ellenburger formations underlying the S/2 of Section 21, Township 22 South, Range 36 East, Lea County, New Mexico, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 5911: (Reopened and Readvertised)

In the matter of Case 5911 being reopened pursuant to the provisions of Order No. R-5353-B which order established temporary special pool rules for the Chacon-Dakota Associated Pool, Rio Arriba and Sandoval Counties, New Mexico. All interested parties may appear and show cause why said pool should not be reclassified as an oil pool to be governed by statewide rules.

CASE 6259: Application of V-F Petroleum, Inc., for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Devonian formation through the perforated interval from 11,085 feet to 11,102 feet in its State 14 Well No. 1 located in Unit L of Section 14, Township 9 South, Range 32 East, SRR-Devonian Pool, Lea County, New Mexico.

CASE 6260: Application of Continental Oil Company for a non-standard gas proration unit and simultaneous dedication, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 480-acre non-standard gas proration unit comprising the N/2 and SE/4 of Section 2, Township 22 South, Range 36 East, Eumont Gas Pool, Lea County, New Mexico, to be simultaneously dedicated to applicant's State J-2 Wells Nos. 7, 9 and 12 located in Units J, G and D, respectively, of said Section 2.

CASE 6261: Application of Continental Oil Company for a non-standard gas proration unit and simultaneous dedication, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 320-acre non-standard gas proration unit comprising the W/2 of Section 20, Township 21 South, Range 36 East, Eumont Gas Pool, Lea County, New Mexico, to be simultaneously dedicated to applicant's State C-20 Wells Nos. 5 and 6, located in Units M and C, respectively, of said Section 20.

CASE 6262: Application of Adobe Oil & Gas Corporation for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Mississippian formation underlying the SE/4 of Section 17, Township 14 South, Range 36 East, Austin Field, Lea County, New Mexico, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 6263: Application of Adobe Oil & Gas Corporation for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Mississippian formation underlying the NE/4 of Section 17, Township 14 South, Range 36 East, Austin Field, Lea County, New Mexico, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.

Dockets Nos. 23-78 and 24-78 are tentatively set for hearing on July 19 and August 2, 1978. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - THURSDAY - JULY 6, 1978

9 A.M. - OIL CONSERVATION DIVISION CONFERENCE ROOM,
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

The following cases will be heard before Daniel S. Nutter, Examiner, or Richard L. Stamets, Alternate Examiner:

- CASE 6265: In the matter of the hearing called by the Oil Conservation Division on its own motion to permit Beck Producing Co. and all other interested parties to appear and show cause why the Cain State Well No. 1 located in Unit B of Section 16, Township 15 North, Range 33 East, Harding County, New Mexico, should not be plugged and abandoned in accordance with a Division-approved plugging program.
- CASE 6266: Application of Harvey E. Yates Company for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of an Upper Pennsylvanian test well to be located 660 feet from the North and East lines or, in the alternative, 990 feet from the North and East lines of Section 23, Township 22 South, Range 23 East, Indian Basin-Upper Pennsylvanian Gas Field, Eddy County, New Mexico, all of said Section 23 to be dedicated to the well.
- CASE 6267: Application of Yates Petroleum Corporation for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp and Pennsylvanian formations underlying the E/2 of Section 28, Township 17 South, Range 26 East, Kennedy Farms Field, Eddy County, New Mexico, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.
- CASE 6268: Application of Southland Royalty Company for an unorthodox gas well location, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Reid Well No. 25 to be drilled in the SE/4 of Section 19, Township 28 North, Range 9 West, Blanco Mesaverde Pool, San Juan County, New Mexico, said well being off-pattern for the first well on the proration unit, the S/2 of Section 19.
- CASE 6269: Application of Marathon Oil Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in all formations from the top of the San Andres thru the Abo underlying the NE/4 NW/4 of Section 25, Township 16 South, Range 38 East, Lea County, New Mexico, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.
- CASE 6270: Application of Enserch Exploration, Inc., for pool creation and special pool rules, Roosevelt County, New Mexico. Applicant, in the above-styled cause, seeks an order creating a new oil pool in the Fusselman formation for its Lambirth Well No. 1 located in Unit K of Section 31, Township 5 South, Range 33 East, Roosevelt County, New Mexico, and for promulgation of special pool rules, including provision for 80-acre spacing, a gas-oil ratio limitation of 3,000 to 1, and special well location requirements.
- CASE 6258: (Continued from June 21, 1978, Examiner Hearing)
- Application of Atlantic Richfield Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Devonian, McKee, and Ellenburger formations underlying the S/2 of Section 21, Township 22 South, Range 36 East, Lea County, New Mexico, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.
- CASE 6262: (Continued from June 21, 1978, Examiner Hearing)
- Application of Adobe Oil & Gas Corporation for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Mississippian formation underlying the SE/4 of Section 17, Township 14 South, Range 36 East, Austin Field, Lea County, New Mexico, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.

LEWIS C. COX, JR.
PAUL W. EATON, JR.
CONRAD E. COFFIELD
HAROLD L. HENSLEY, JR.
STUART D. SHANOR
G. D. MARTIN
PAUL J. KELLY, JR.
JAMES H. BOZARTH

DOUGLAS L. LUNSFORD
PAUL M. BOHANNON
J. DOUGLAS FOSTER
K. DOUGLAS PERRIN
C. RAY ALLEN

LAW OFFICES
HINKLE, COX, EATON, COFFIELD & HENSLEY

521 MIDLAND TOWER
MIDLAND, TEXAS 79701
(915) 683-4691

May 26, 1978

OF COUNSEL
CLARENCE E. HINKLE
W. E. BONDURANT, JR. (1914-1973)

ROSWELL, NEW MEXICO OFFICE
600 HINKLE BUILDING
(505) 622-6510

ONLY MESSRS. COFFIELD, MARTIN,
BOZARTH, BOHANNON, FOSTER & ALLEN
LICENSED IN TEXAS

Mr. Dan Nutter
Chief Engineer
Oil Conservation Division
Post Office Box 2088
Santa Fe, New Mexico 87501

Case 6258

Dear Dan:

Transmitted herewith you will find triplicate executed copies of an Application for Atlantic Richfield for compulsory pooling of royalty interests in the S $\frac{1}{2}$ of Section 21, Township 22 South, Range 36 East, N.M.P.M., Lea County, New Mexico.

It is my understanding that the docket setting for June 21 is still available for this matter and accordingly, we request that it be heard on that date.

I trust that the enclosed copies of the Application are all that is needed in order for this to be set for the June 21 hearing. However, if anything is needed in addition, please let me know.

Very truly yours,

HINKLE, COX, EATON,
COFFIELD & HENSLEY


Conrad E. Coffield

CEC:rf
Enclosures

xc: Mr. Duncan W. Holt, Jr.
Atlantic Richfield Company
P. O. Box 2819
Dallas, Texas 75221
xc: Mr. Tom Furtwangler
Atlantic Richfield Company
P. O. Box 1610
Midland, Texas 79702

BEFORE THE OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO

Case 6258

APPLICATION OF ATLANTIC RICHFIELD)
COMPANY FOR COMPULSORY POOLING,)
LEA COUNTY, NEW MEXICO)

Atlantic Richfield Company, by its undersigned attorneys,
hereby makes application for an order pooling all royalty
interests in the Ellenburger ^{McKee and Devonian} formation underlying the S $\frac{1}{2}$ of
Section 21, Township 22 South, Range 36 East, N.M.P.M., Lea
County, New Mexico, and in support thereof would show:

1. Applicant is the owner of the oil and gas leasehold
in the S $\frac{1}{2}$ of Section 21, Township 22 South, Range 36 East,
N.M.P.M. Peter Francis Jones, et al, are the owners of the
royalty interests in the S $\frac{1}{2}$ of Section 21, Township 22
South, Range 36 East, N.M.P.M.

2. Applicant proposes to drill a well 1,980 feet from
the South line and 1,980 feet from the West line of Section
21 to a depth sufficient to test the Ellenburger formation
and seeks to dedicate the S $\frac{1}{2}$ of said Section 21 to the well.
Applicant has requested Peter Francis Jones, et al, as
owners of royalty interests to agree to pool or combine
their respective interests under the well, but they have so
far refused to do so.

3. The pooling of all interests in the Ellenburger
formation in the S $\frac{1}{2}$ of said Section 21 will avoid the drilling
of unnecessary wells, prevent waste and protect correlative
rights.

4. Applicant requests that this matter be heard at the
June 21, 1978 examiner's hearing.

HINKLE, COX, EATON,
COFFIELD & HENSLEY

By: 

Conrad E. Coffield
Post Office Box 3580
Midland, Texas 79702
Attorneys for Atlantic
Richfield Company

BEFORE THE OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO

APPLICATION OF ATLANTIC RICHFIELD)
COMPANY FOR COMPULSORY POOLING,)
LEA COUNTY, NEW MEXICO)

Case 6258

Atlantic Richfield Company, by its undersigned attorneys, hereby makes application for an order pooling all royalty interests in the Ellenburger formation underlying the S $\frac{1}{2}$ of Section 21, Township 22 South, Range 36 East, N.M.P.M., Lea County, New Mexico, and in support thereof would show:

1. Applicant is the owner of the oil and gas leasehold in the S $\frac{1}{2}$ of Section 21, Township 22 South, Range 36 East, N.M.P.M. Peter Francis Jones, et al, are the owners of the royalty interests in the S $\frac{1}{2}$ of Section 21, Township 22 South, Range 36 East, N.M.P.M.


2. Applicant proposes to drill a well 1,980 feet from the South line and 1,980 feet from the West line of Section 21 to a depth sufficient to test the Ellenburger formation and seeks to dedicate the S $\frac{1}{2}$ of said Section 21 to the well. Applicant has requested Peter Francis Jones, et al, as owners of royalty interests to agree to pool or combine their respective interests under the well, but they have so far refused to do so.

3. The pooling of all interests in the Ellenburger formation in the S $\frac{1}{2}$ of said Section 21 will avoid the drilling of unnecessary wells, prevent waste and protect correlative rights.

4. Applicant requests that this matter be heard at the June 21, 1978 examiner's hearing.

HINKLE, COX, EATON,
COFFIELD & HENSLEY

By:


Conrad E. Coffield
Post Office Box 3580
Midland, Texas 79702
Attorneys for Atlantic
Richfield Company

BEFORE THE OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO

Case 6258

APPLICATION OF ATLANTIC RICHFIELD)
COMPANY FOR COMPULSORY POOLING,)
LEA COUNTY, NEW MEXICO)

Atlantic Richfield Company, by its undersigned attorneys,
hereby makes application for an order pooling all royalty
interests in the Ellenburger formation underlying the S $\frac{1}{2}$ of
Section 21, Township 22 South, Range 36 East, N.M.P.M., Lea
County, New Mexico, and in support thereof would show:


1. Applicant is the owner of the oil and gas leasehold
in the S $\frac{1}{2}$ of Section 21, Township 22 South, Range 36 East,
N.M.P.M. Peter Francis Jones, et al, are the owners of the
royalty interests in the S $\frac{1}{2}$ of Section 21, Township 22
South, Range 36 East, N.M.P.M.

2. Applicant proposes to drill a well 1,980 feet from
the South line and 1,980 feet from the West line of Section
21 to a depth sufficient to test the Ellenburger formation
and seeks to dedicate the S $\frac{1}{2}$ of said Section 21 to the well.
Applicant has requested Peter Francis Jones, et al, as
owners of royalty interests to agree to pool or combine
their respective interests under the well, but they have so
far refused to do so.

3. The pooling of all interests in the Ellenburger
formation in the S $\frac{1}{2}$ of said Section 21 will avoid the drilling
of unnecessary wells, prevent waste and protect correlative
rights.

4. Applicant requests that this matter be heard at the
June 21, 1978 examiner's hearing.

HINKLE, COX, EATON,
COFFIELD & HENSLEY

By: 
Conrad E. Coffield
Post Office Box 3580
Midland, Texas 79702
Attorneys for Atlantic
Richfield Company

~~Chuck~~ ^{consultant}
Conrad Coffield
correction of
ARCO application
for compulsory pooling

5-31-78

Phone in

was Ellenberger }
add McKee } fms
add Devonian }

S/2 21-22S-36 E
well to be located
1980 S 8 W of Sec 2/
Langlie Deep Corn #1

RLS

DRAFT

dr/

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

JLR

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 6258

Order No. R- 5765

APPLICATION OF ATLANTIC RICHFIELD
COMPANY FOR COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO.

ASU

LI

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on July 6
June 21, 19 78, at Santa Fe, New Mexico, before Examiner Richard L. Stammers
DSN

NOW, on this June day of June, 19 78, the Division
Director, having considered the testimony, the record, and the
recommendations of the Examiner, and being fully advised in the
premises,

FINDS:

(1) That due public notice having been given as required by
law, the Division has jurisdiction of this cause and the subject
matter thereof.

(2) That the applicant, Atlantic Richfield Company,
seeks an order pooling all mineral interests ^{in the} Devonian, McKee and
Ellenburger formations underlying the S/2
of Section 21, Township 22 South, Range 36 East
NMPM, Raughy-Ellenburger Gas Pool, Lea County, New
Mexico.

Raughy

*Pooling
Royalty
Interests
Only*

(3) That the applicant has the right to drill and proposes to drill a well at a standard location thereon.

(4) That there are interest owners in the proposed proration unit who have not agreed to pool their interests.

(5) That to avoid the drilling of unnecessary wells, to protect correlative rights, and to afford to the owner of each interest in said unit the opportunity to recover or receive without unnecessary expense his just and fair share of the gas in said pool, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.

(6) That the applicant should be designated the operator of the subject well and unit.

~~(7) That any non-consenting working interest owner should be afforded the opportunity to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production.~~

~~(8) That any non-consenting working interest owner that does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional _____ thereof as a reasonable charge for the risk involved in the drilling of the well.~~

~~(9) That any non-consenting interest owner should be afforded the opportunity to object to the actual well costs but that actual well costs should be adopted as the reasonable well costs in the absence of such objection.~~

~~(10) That following determination of reasonable well costs, any non-consenting working interest owner that has paid his share of estimated costs should pay to the operator any amount that reasonable well costs exceed estimated well costs and should receive from the operator any amount that paid estimated well costs exceed reasonable well costs.~~

~~(11) That _____ per month should be fixed as a reasonable charge for supervision (combined fixed rates); that the operator should be authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.~~

(7) ~~(12)~~ That all proceeds from production from the subject well which are not disbursed for any reason should be placed in escrow to be paid to the true owner thereof upon demand and proof of ownership.

(8) ~~(13)~~ That upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before September 1, 1978, the order pooling said unit should become null and void and of no effect whatsoever.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, Ellenburger in the Devonian, McKee and/ formations underlying the S/2 of Section 21, Township 22 South, Range 36 East, NMPM, Langley-Ellenburger Gas Pool, Lea County, New Mexico, are hereby pooled to form a standard 320- acre gas spacing and proration unit to be dedicated to a well to be drilled at a standard location thereon

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the first day of September, 1978, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Ellenburger formation;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the first day of September, 1978, Order (1) of this order shall be null and void and of no effect whatsoever; unless said operator obtains a time extension from the Division for good cause shown.

PROVIDED FURTHER, that should said well not be drilled to completion, or abandonment, within 120 days after commencement thereof, said operator shall appear before the Division Director and show cause why Order (1) of this order should not be rescinded.

(2) That Atlantic Richfield Company is hereby designated the operator of the subject well and unit.

~~(3) That after the effective date of this order and within 30 days prior to commencing said well, the operator shall furnish the Division and each known working interest owner in the subject unit an itemized schedule of estimated well costs.~~

~~(4) That within 30 days from the date the schedule of estimated well costs is furnished to him, any non-consenting working interest owner shall have the right to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production, and that any such owner who pays his share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.~~

~~(5) That the operator shall furnish the Division and each known working interest owner an itemized schedule of actual well costs within 90 days following completion of the well; that if no objection to the actual well costs is received by the Division and the Division has not objected within 45 days following receipt of said schedule, the actual well costs shall be the reasonable well costs; provided however, that if there is an objection to actual well costs within said 45-day period the Division will determine reasonable well costs after public notice and hearing.~~

~~(6) That within 60 days following determination of reasonable well costs, any non-consenting working interest owner that has paid his share of estimated costs in advance as provided~~

above shall pay to the operator his pro rata share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator his pro rata share of the amount that estimated well costs exceed reasonable well costs.

(7) That the operator is hereby authorized to withhold the following costs and charges from production:

(A) The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

(B) As a charge for the risk involved in the drilling of the well, _____ of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

(8) That the operator shall distribute said costs and charges withheld from production to the parties who advanced the well costs.

(9) That _____ per month is hereby fixed as a reasonable charge for supervision (combined fixed rates); that the operator is hereby authorized to withhold from production the proportionate share of such supervision charge attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

-6-

Case No.

Order No. R-

~~(10) That any unsevered mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this order.~~

~~(11) That any well costs or charges which are to be paid out of production shall be withheld only from the working interests share of production, and no costs or charges shall be withheld from production attributable to royalty interests.~~

(3)(12) That all proceeds from production from the subject well which are not disbursed for any reason shall be placed in escrow in Lea County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Division of the name and address of said escrow agent within 90 days from the date of this order.

(4)(13) That jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.